

Consolidated
DIVERSIFIED STANDARD SECURITIES
Limited

SUITE 909
360 ST. JAMES STREET WEST
MONTREAL 126,
TELEPHONE 849-8664

DIRECTORS and OFFICERS

ROCH BEDARD
President

GASTON N. MERCIER, C.A.
Vice-President

GAMELIN P. VADEBONCOEUR

MARCEL BALLARD

PIERRE BEDARD

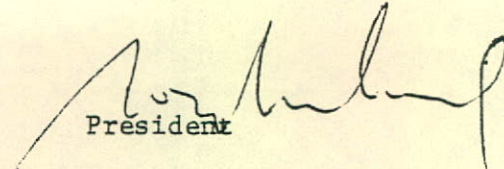
MARCEL ARSENAULT
Secretary-Treasurer

47th ANNUAL REPORT

- Portfolio - consists of Canadian and U.S. securities, also
municipal and industrial bonds.
- Dividends - paid \$2.50 on 1st preference shares
- paid one 2nd preference share as stock dividend
to all "A" and "B" common shareholders.

The 1st preference shares and the class "A"
common shares are listed on the Montreal Stock
Exchange.

Respectfully submitted,


President

HOWARD ROSS LIBRARY
OF MANAGEMENT

JUL 23 1979

MCGILL UNIVERSITY

MARCH 26, 1979.

COOK, PERRY, SEWELL & CO.
CIE

CHARTERED ACCOUNTANTS - COMPTABLES AGRÉÉS

245 VICTORIA AVE., MONTREAL, CANADA H3Z 2M6 - TELEPHONE (514) 937-4661

OFFICES IN PRINCIPAL
CANADIAN CITIES

BUREAUX DANS LES
PRINCIPALES VILLES
DU CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Consolidated Diversified Standard Securities Limited as at December 31, 1978 and the consolidated statements of earnings, unrealized loss on investments, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cook, Perry Sewell & Co.

MONTREAL, February 7, 1979.

Chartered Accountants.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1978

ASSETS

Current Assets

Cash
Accounts receivable
Investment in marketable securities -
at market value (cost \$657,874; 1977 -
\$925,611) (note 4B)

Mortgage Loans and Loans Receivable

Long-Term Investment

Shares of Hallbart Holdings Ltd.
(Approximate value of underlying net assets
\$200,000; 1977 - \$206,000)

Fixed Assets

At cost, less accumulated depreciation of
\$13,942; 1977 - \$18,571)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Bank indebtedness
Accounts payable
Unclaimed dividends
Deferred income

Shareholders' Equity

Capital stock (note 2)

Authorized
19,083 10/25 \$2.50 non-cumulative first
preference shares of no par value,
redeemable at \$50 per share
275,000 8% non-cumulative redeemable second
preference shares of a par value of
\$1 per share
275,000 8% non-cumulative redeemable third
preference shares of a par value of
\$1 per share
1,000,000 class "A" common shares of no par
value
112,500 class "B" common shares of no par
value

Issued and fully paid

12,000 first preference shares)
152,340 39/40 class "A" common shares)
112,500 class "B" common shares)
264,840 second preference shares

Unrealized loss on investments

Retained earnings (note 5)

Deduct cost of 2,918 14/25 first preference
shares held by subsidiary

SIGNED ON BEHALF OF THE BOARD:

[Signature] Director
[Signature] Director

1978 1977
\$ - \$259,431
35,693 17,836
60,027 54,375
2,170 2,245
97,890 333,887

58,395 58,395
264,840 -
323,235 58,395
(47,014) (177,311)
583,178 860,871
859,399 741,955
102,909 102,909
756,490 639,046
\$854,380 \$972,933

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1978

	<u>1978</u>	<u>1977</u>
<u>Balance - beginning of year</u>	\$860,871	\$919,650
Net earnings(loss) for the year	<u>9,835</u>	<u>(28,485)</u>
	<u>870,706</u>	<u>891,165</u>
Dividends		
First preference shares	22,688	22,688
Common shares (note 2)	<u>264,840</u>	<u>7,606</u>
	<u>287,528</u>	<u>30,294</u>
<u>Balance - end of year</u>	<u>\$593,178</u>	<u>\$860,871</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED STATEMENT OF UNREALIZED LOSS ON INVESTMENTS

FOR THE YEAR ENDED DECEMBER 31, 1978

	<u>1978</u>	<u>1977</u>
<u>Balance - beginning of year</u>	\$177,311	\$131,839
Net change during the year	<u>(130,297)</u>	<u>45,472</u>
<u>Balance - end of year</u>	<u>\$ 47,014</u>	<u>\$177,311</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1978

	<u>1978</u>	<u>1977</u>
<u>Income</u>		
Dividends	\$ 36,283	\$ 43,876
Interest	17,969	5,035
Sales of options	45,027	-
Sundry	<u>292</u>	<u>67</u>
	<u>99,571</u>	<u>48,978</u>
<u>Expenses</u>		
Executive remuneration and expenses	22,147	33,370
Salaries and fees	9,590	9,869
Travelling and automobile	1,653	6,541
Professional fees	8,835	10,575
Office and general	14,428	15,874
Interest, exchange and bank charges	18,414	28,922
Depreciation	<u>136</u>	<u>2,132</u>
	<u>75,203</u>	<u>107,283</u>
Gain(loss) on sale of investments	<u>24,368</u> <u>(16,852)</u>	<u>(58,305)</u> <u>32,133</u>
Earnings(loss) before income taxes	7,516	(26,172)
Income taxes	<u>3,181</u>	<u>2,313</u>
	4,335	(28,485)
Recovery of income taxes on application of prior years' losses	<u>5,500</u>	<u>-</u>
<u>Net earnings(loss) for the year</u>	<u>\$ 9,835</u>	<u>\$(28,485)</u>
<u>Loss per class "A" and "B" share (after dividend on first preference shares)</u>	<u>(4.9¢)</u>	<u>(19.3¢)</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1978

	<u>1978</u>	<u>1977</u>
<u>Source of working capital</u>		
Net earnings for the year	\$ 9,835	\$ -
Charges not requiring an outlay of funds	<u>136</u>	<u>-</u>
	9,971	-
Mortgage loans and loans receivable	-	7,316
Sale of fixed assets	4,577	-
Decrease in unrealized loss on investments	<u>130,297</u>	<u>-</u>
	<u>144,845</u>	<u>7,316</u>
<u>Application of working capital</u>		
Net loss for the year	-	28,485
Charges not requiring an outlay of funds	<u>-</u>	<u>2,132</u>
	-	26,353
Mortgage loans and loans receivable	17,052	-
Dividends	22,688	30,294
Purchase of fixed assets	-	184
Increase in unrealized loss on investments	<u>-</u>	<u>45,472</u>
	<u>39,740</u>	<u>102,303</u>
<u>Increase(decrease) in working capital</u>	105,105	(94,987)
<u>Working capital - beginning of year</u>	<u>417,278</u>	<u>512,265</u>
<u>Working capital - end of year</u>	<u>\$522,383</u>	<u>\$417,278</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1978

1. Significant accounting policies

(A) Principles of consolidation

The consolidated financial statements include the accounts of the parent company and its subsidiaries:

Central Loan & Mortgage Co.

- year ended November 30, 1978

Alco Securities Corporation Ltd.

- year ended December 31, 1978

Maritana Securities Limited

- year ended December 31, 1978

and the parent company's share of their aggregate earnings from the dates of acquisition.

(B) Marketable securities

The company carries its marketable securities at market value, which is determined by valuing each investment security at the latest sale price thereof reported by the principal securities exchange on which the issue is traded.

(C) The long-term investment is carried at cost. These shares are non-voting, do not produce any revenue, and are not readily marketable.

(D) Fixed assets

Depreciation is calculated using the declining balance method at the annual rate of 20% for office equipment.

(E) Investment transactions and income

Investment transactions are accounted for on the settlement date. Income is recorded as follows:

Interest - accrued to year end

Dividends - per date of record.

Realized gains and losses from investment transactions are calculated on an average cost basis.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1978

4. Commitments

(A) Management services

Effective August 1, 1978, a subsidiary suspended payments of \$2,500 per month under a management contract to November 30, 1983, pending renegotiation of the contract. No charge has been recorded in the accounts for the four months from August to November, 1978.

(B) Stock options

The Company is committed, under stock options, to sell marketable securities with a market value of \$235,940 for an amount of \$215,514 should the options be exercised.

5. Retained earnings

The consolidated retained earnings include an amount of \$77,000 set aside from the retained earnings of Alco Securities Corporation Limited which is equal to the par value of preferred shares issued and redeemed by that company in prior years.

6. Statutory information

	<u>1978</u>	<u>1977</u>
Number of directors	6	7
Aggregate remuneration as directors	\$ 670	\$ 250
Number of officers	5	3
Aggregate remuneration as officers including management fee and expenses	\$27,227	\$39,920
Number of officers who were also directors	5	2

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1978

Significant accounting policies (cont'd)

(F) Foreign exchange

Items in foreign currencies have been translated into Canadian dollars on the following basis:

i) Market value of investment securities, current assets and liabilities at the rate of exchange prevailing at December 31.

ii) Purchases and sales of investment securities at the rate of exchange prevailing on the respective dates of such transactions.

iii) Income and expenses at the average rate of exchange prevailing during the year.

2. Capital stock

On November 17, 1978, the company obtained supplementary letters patent increasing the authorized capital of the company by the creation of 275,000 8% non-cumulative redeemable second preference shares and 275,000 8% non-cumulative redeemable third preference shares in each case of a par value of \$1 per share. In December, 1978, a stock dividend of one second preference share was declared payable on each class "A" and "B" common share issued.

3. Income taxes

The company and its subsidiaries have losses for tax purposes amounting to \$188,268 which are available for application against future years' taxable income as follows:

<u>Amount</u>	<u>Available to</u>
\$ 21,799	1979
45,583	1980
37,572	1981
71,988	1982
<u>11,326</u>	1983
<u>\$188,268</u>	